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PRESENT AND FUTURE OF CHINESE TEXTILE INDUSTRY

The total number of spindles in China is about 5,200,000, of which 52 percent are privately owned. The East China Regional District has 3,700,000 spindles, 60 percent of which are in private hands. Private ownership constitutes an important part of China's modern cotton yarn and cloth manufacturing industry. Shanghai has about 50,000 weaving machines (excluding the machines operated by hand); 22,000 are owned by private dyeing and weaving firms; 10,000 are owned by 22 private cotton spinning and weaving firms; and only 18,000 are owned by government-controlled corporations. These figures indicate clearly that private industry is still an essential element in our new people's democratic economy.

The textile industry, supposedly the most modern industry in China, is still far behind meeting the actual needs. The 5,200,000 spindles operating on an annual basis of 6 days and 6 nights per week can supply only 10 yards of cotton cloth per capita. It is evident that such an amount is far short of the minimum need of 30 yards per capita. In other words, the number of spindles should be doubled. At the Conference of Textile Converting and Processing Manufacturers in July 1950, representatives from Shanghai learned that the textile industry in Ch'ang-sha and other areas is still in the handicraft stage, several centuries behind Shanghai. In discussing sales problems, representatives from backward areas showed a deep-rooted prejudice by insisting on their respective regional interests. Although such an attitude has been corrected, it indicates rather clearly that the Chinese textile industry is still inadequate to the actual need envisaged in the national industrialization program. Therefore, there is no ground for the fear that socialism will be put into practice ahead of time; that is only a malicious rumor.

Since the liberation, Shanghai's textile industry, like other industries, has been confronted with a series of difficulties. Lack of a market, high costs, and financial deficiency are most common. These difficulties are partly situations persisting from the reactionary regime, and partly shortcomings existing within the industry itself. These shortcomings are listed below.

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A. Dependence

Before the liberation, about 80 percent of the cotton came from abroad. Because the rate of foreign exchange was low, American cotton was sold cheaper than native cotton. Thus, many textile products, such as shirts, handkerchiefs, towels, and linen, were exported to Southeast Asia, with the result that home industry was no longer closely related to the domestic market.

The situation has changed entirely since the liberation. Some manufacturers adjusted by producing substitutes or goods less finished. However, finished goods were still preferred by consumers. Low-quality, cheap towels and other products contributed to increased consumer resistance recently in the Northwest Regional District even sold at prices below cost. Because of the slackening domestic market, the textile converting and processing manufacturers felt that under such abnormal circumstances they should not be blamed for relying to a large extent on the export market. They failed to realize that rural purchasing power depends on general economic improvement.

Because land reform in the newly liberated areas was not completed and because of the poor 1949 harvests, the purchasing power of the rural people cannot be increased rapidly. To produce goods with our own materials for our own use means virtuous self-sufficiency. Whether the product is of higher or lower quality has nothing to do with dependence. Who could blame us for being dependent if we produce woolen goods from native wools for our countrymen? The Conference of Textile Converting and Processing Manufacturers has formulated significant export plans. However, we should remember that export offers only temporary relief. It is the 475 million who are our real customers and who demand unlimited goods and services.

B. Corruption

Some directors or managers of textile firms are merchants who know only how to conduct commercial transactions and are unfamiliar with the direction of the manufacturing business. For instance, before the liberation, Jung Hung-yuan, manager of Shen-hsin Factory No 6, told the general director that he could make more money in commercial transactions in half an hour than others could by going into the manufacturing business for an entire year. One executive in the textile industry was indifferent to the corruption of his own employees. He thought that corruption would eventually disappear when the corrupt members had amassed sufficient money.

The extreme corruption was indicated by the fact that his employees' deposits amounted to 400 million yuan in the Ssu-ming Bank alone. One small factory with only 300 spindles employed 17 guards. In the Li-t'ai Factory of T'ai-ts'ang there were 18 department heads and only 18,000 spindles. The production of each bale of 20-gauge yarn consumed at least 300 watts of electricity per hour. Each 10,000 spindles employed more than 500 workers. Consequently, the Li-t'ai Factory was operating at a loss and no one even thought of reform.

In fact, under the old regime, factories reaped their fortunes not by increasing the efficiency of the manufacturing process but by buying and selling on the foreign exchange, and by hoarding and speculating on commodities. Naturally it was painful and difficult for them to adjust to the new system where profits can only be earned legitimately. So they complained that "there is no room for private industry." Corruption as a cause of failure has been pointed out by various conferences and meetings held by all firms related to textile, woolen, and flax industries. It is generally believed that the only remedy lies in organizational reform and improved management.

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C. Unplanned Expansion

In the past the textile industry was operated as though it were merely a commercial enterprise in which the production aspect was overlooked. Since big profits were expected immediately after V-J Day, factories were expanded almost blindly without long-range consideration. The planners paid no attention to the proper geographical distribution of the textile industry. Forty-four percent of the spindles were concentrated in Shanghai (productivity is higher there than elsewhere). Also 80-90 percent of the conversion factories, producing shirts, linen, handkerchiefs, etc., were concentrated in Shanghai.

Such a high concentration indicates the existing production blindness. The results of such blindness can be visualized in two aspects. On the one hand, production is being separated from marketing areas. Since liberation has changed the basic character of market demand, producers should produce what the people want. Ignorance of market demand results in tremendous losses to the country. Therefore, to stabilize production, it is necessary for the textile industry and other industries to study market conditions more carefully. On the other hand, blind production made coordination impossible between production and supply of raw materials and among various production lines.

For instance, 6-gauge cotton yarn was not suitable for the processing industry and the yarn-manufacturing industry did not take into consideration the 1950 cotton supply. Therefore, the East China Textile Industrial Conference, convening at a critical time, made production plans 5 months ahead of the cotton harvest, fixed the weekly workdays and the number of operations, and coordinated government contract systems with the over-all cotton-purchasing plans. Since these plans were put into effect $2\frac{1}{2}$ months ago, factories have resumed production and made great progress. This shows that production planning, which is now only in its beginning, is very helpful to private enterprises.

The government's subcontract program serves as an important means of coordinating public and private economic sectors. In fact, such a program, in which the government is to bear the contingent losses, has rescued many textile firms during their most trying days. Chao-feng, Kuo-shin, and Jung-feng factories have balanced their budgets. The monthly yarn production per spindle increased from 0.7 pound, 3 months ago, to 0.82 pound. Since products are carefully examined and compensation is made according to quality, product quality is greatly improved, especially when compared with the quality at the very beginning. Other achievements have been made in saving material; this has resulted in lower costs. All this reveals that the textile industry as a whole has overcome many difficulties and is on its way toward stability and further development.

What favorable effect does the new cotton harvest have on the textile industry? Perhaps there was never a time when a new cotton crop meant so much to the whole economy as it does under the new economic system. In 1949, due to famine and a poor cotton crop in many areas, cotton prices were high while yarn prices were relatively low. This caused the textile manufacturers great difficulties. However, encouraged by the government, cotton cultivation has expanded to 52 million mou, the largest area under cultivation in the past 13 years. As a result of price support and direct leadership in the field by our cadres, a good crop is expected this year if the weather remains normal.

Using as a basis for comparison the average yearly cotton production of 25.48 piculs per mou from 1939 to 1948, which is a very conservative estimate, the total crop this year should be over 13 million piculs. If firms producing textiles manually use only 3 million piculs, 10 million piculs will then be available for all the modern textile manufacturers throughout the country. Not only is the cotton crop increasing in quantity, but its quality is also improved.

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Of the 3,700,000 cotton spindles in East China, 3,500,000 are in working condition. If productivity could be increased from the present 0.9 to 0.95 pound of 20-gauge cotton yarn or 0.865 pound of 22-gauge cotton yarn in each 20-hour operation, the entire East China Regional District could produce 6,800 bales (400 pounds per bale) of cotton yarn in each 20-hour production schedule. (The East China Regional District produces mostly 22-gauge yarn, which is equal, per unit, to 0.91 unit of 20-gauge yarn. The daily schedule consists of one day shift and one night shift.)

At present, the publicly operated factories use 407 catties of cotton to produce one bale of 20-gauge yarn, but the privately operated factories use 420 catties to produce the same amount. However, due to improved management and better cotton, it is quite possible that the average cotton needed for one bale of cotton yarn will be established at 410 catties. Thus, the East China Regional District would need 2,790,000 catties of cotton in each 20-hour production period in 1951. The total demand for cotton next year would be approximately 7 million piculs on the basis of a 10-shift week, 250-day year, or 6.3 million piculs on the basis of a nine-shift week.

The East China Regional District possesses 70 percent of the nation's spindles. If the textile factories in East China could purchase 70 percent of the nation's cotton crop of one million piculs, it would not be too difficult for them to operate on a 5-day and 5-night shift after the new crop is harvested. Indeed, it would be quite possible for private manufacturers to resume nine-shift production if they could secure the raw material in the nearby cotton-producing areas. Production operations could be increased to ten shifts a week if cotton production slightly exceeded the above-mentioned conservative estimates.

At present, 15 of the 54 privately operated textile factories are being evacuated, leaving 12,461 workers, 205,000 spindles, and 1,075 cloth-manufacturing machines unemployed. The 39 factories which are open, operate at only seven tenths of their capacity on the basis of a 4-day and 4-night shift. As new cotton is harvested, the production scale can be expanded with the result that costs will be lowered and unemployment diminished. Thus the textile industry faces a very favorable situation which can be exploited to its limits. When that point is reached, the contract system whereby government corporations give jobs to factories will no longer be necessary.

The only difficulty lies in raising capital for purchasing cotton. Private factories often cry, "We need cotton, but we are short of capital." Such a difficulty may be partially solved by more efficient purchasing plans sponsored and supported by the government-owned United Cotton Purchasing Agency. However, the agency needs more capital for greater distribution. Unless its capital is increased, it will not be able to fulfill its huge purchasing plan in the coming cotton harvest.

Since the United Cotton Purchasing Agency is a semipublic organization, with more than 10 billion yuan of its total capital of 18.7 billion yuan contributed by the government, and since the publicly operated factories surrendered (16 June) the preemptive right which gave them access to 50 percent of the total amount purchased, the private factories should make a greater contribution of their own to increase the capital of that organization. It is only natural that private firms should do their part by contributing more capital to the joint organization because approximately half of their purchases of the newly harvested cotton were financed by the government under a new purchase plan designed to encourage self-sufficiency.

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In the past, private manufacturers were reluctant to subscribe capital funds because they were operating at a loss. But now, with self-sufficiency and a profitable future in sight, under the government's policy of fostering the national industry, the textile manufacturers need not be worried or reluctant to bear their responsibility.

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